

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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TAGS: PINS, ELAB, EAID, EFIN, IS

SUBJECT: EGGED BUS STRIKE

SUMMARY: EGGED BUS COMPANY, THE PRINCIPAL PURVEYOR OF PUBLIC PASSENGER TRANSPORT IN ISRAEL, WENT ON STRIKE JANUARY 21 OVER ISSUE OF GOVERNMENT SUBSIDIES. GOVERNMENT CHARGES MISMANAGEMENT AND DEMANDS THAT EGGED USE ITS OWN ASSETS TO MEET PART OF DEBT LOADED BEFORE IT WILL AID COMPANY. SETTLEMENT WILL BE VIEWED AS MEASURE OF GOI DETERMINATION TO IMPOSE ECONOMIC STRINGENCY AND REJECT UNREASONABLE CLAIMS FOR SUPPORT. SINCE EGGED IS HISTADRUT-AFFILIATED COOPERATIVE, UTABOR MOVEMENTS'S IMAGE IS ALSO AFFECTED BY CONTEST AND PUBLIC REATION TO INCONVENIENCE OF STRIKE. END SUMMARY.

1. AFTER PROLONGED NEGOTIATIONS WITH THE MINISTRY OF TRANSPORT AND SEVERAL STRIKE THREATS OVER THE FAILURE OF THE GOVERNMENT TO PROVIDE ADEQUATE SUBSIDIES, THE EGGED BUS LINE, A HUSTADRUT COOPERATIVE AND ONE OF THE TWO PRINCIPAL ISRAELI BUS COMPANIES, HAS STOPPED ALL SERVICES AS OF JAN. 21.

2. EGGED, WHICH SINCE THE OCTOBER WAR HAS RUN UP INCREASING DEFICITS, IN ON THE VERGE OF BANKRUPTCY

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AND ATTRIBUTES THIS TO INQDEQUATE SUBSIDIES, UNECONOMICAL

LOW FARES, AND THE OBLIGATION TO MAINTAIN SERVICES ON TOO MANY UNPROFITABLE LINES. EGGED CHAIRMAN SHLOMO LEVIN CHARGES GOI OWES COMPANY IL 350 MILLION AND THAT IT WILL RESUME SERVICES ONLY WHEN MINISTRY OF TRANSPORTATION MEETS ITS OBLIGATIONS.

3. ON BASIS OF A RECENT KNESSET ECONOMIC COMMITTEE REPORT (GOLOMBO REPORT) ON EGGED, GOI INSISTS THAT DEFICIT WAS LARGELY DUE TO MISMANAGEMENT AND DIVERSION OF EGGED ASSETS TO INDEPENDENT TOURIST, HOTEL, RESTAURANT, CAB AND OTHER ENTERPRISES OWNED BY EGGED SHAREHOLDERS. THIS, ACCORDING TO GOVERNMENT, PROVES THAT EARLIER SUBSIDIES HAD BEEN EXCESSIVE AND IMPROPERLY ACCOUNTED FOR. MOREOVER, SUCH ACQUISITION BY AND SEPARATION FROM EGGED OF ASSETS ACQUIRED AT LEAST PARTLY WITH PUBLIC FUNDS MAY BE OF DOUBTFUL LEGALITY. SINCE MOST OF THESE ENTERPRISES ARE PROFITABLE, GOI INSISTS THAT THEY BE USED TO SETTLE EGGED DEBTS BEFORE ANY FURTHER SUBSIDIES CAN BE PAID.

4. THE TRANSPORT MINISTER HAD BEEN AT FIRST RELUCTANT TO RISK A SHOWDOWN AND TRANSPORT STRIKE INVOLVING NEARLY HALF OF ISRAEL'S PUBLIC TRANSPORT SERVICES, AND OFFERED A GRANT OF IL 50 MILLION TO TIDE THE COMPANY OVER UNTIL QUESTION OF ASSETS COULD BE NEGOTIATED. GOI PROPOSAL, BACKED BY ALIGNMENT MAJORITY, WAS THAT ASSETS SERVE AS COLLATERALS FOR LOANS. HOWEVER, DUE TO MINISTER'S FAILURE TO CONSULT WITH KEY NRP AND ILP KNESSET FINANCE COMMITTEE MEMBERS (WHO UNITED WITH OPPOSITION), COMMITTEE INSISTED THAT ASSETS BE DIVESTED FROM EGGED MEMBERS AND SOLD IN ORDER TO PAY EGGED DEBTS BEFORE FURTHER GOI SUBSIDY PAYMENTS CAN BE MADE.

5. AS A RESULT OF KNESSET ACTION, COMPROMISE WILL BE DIFFICULT TO NEGOTIATE AND CONFRONTATION MAY CONTINUE FOR SOMETIME. GOI HAS ALREADY ANNOUNCED THAT OWNERS OF PRIVATE VEHICLES ARE AUTHORIZED TO PICK UP PASSENGERS ON STRUCK ROUTES AND CHARGE FARES. EGGED EXECUTIVE LIMITED OFFICIAL USE

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AND DRIVER-SHAREHOLDERS, IN TURN, REJECT GOVERNMENT PRESSURE AND REFUSE TO YIELD THEIR PROFITABLE SHARES AND CORRESPONDING CUTS IN ASSETS AND INCOMES.

6. AS A RESULT OF THE REVELATIONS OF SERIOUS MISMANAGEMENT AND POSSIBLY CORRUPTION IN EGGED BY THE GOLOMBO REPORT AND PUBLIC CHARGES THAT EGGED REFUSES TO GIVE A PUBLIC ACCOUNTING OF ITS ASSETS AND LIABILITIES,

HISTADRUT HAS BACKED THE GOVERNMENT AND REFUSED TO BE INVOLVED IN THE CONFLICT.

7. IN THE MEANTIME, MORE THAN A MILLION OF EGGED'S DAILY PASSENGERS ARE REPORTEDLY AFFECTED. THE PRINCIPAL IMPACT IS BEING FELT IN HAIFA, JERUSALEM AND THE RURAL AREAS. TEL AVIV, WHICH IS PRINCIPALLY SERVICED BY THE DAN COMPANY, APPEARS TO HAVE NEARLY NORMAL BUS SERVICES. THE PROBLEM IS COMPOUNDED BY FACT THAT ABOUT HALF OF EGGED'S DRIVERS AND EMPLOYEES WHO ARE NOT COOPERATIVE MEMBER-SHAREHOLDERS HAVE ALSO GONE ON STRIKE OVER THE SEPARATE ISSUE OF THE COMPANY'S FAILURE TO PAY THEIR WAGES, AND HAVE DEMANDED THAT THE MINISTRY OF LABOR ARBITRATE THIS ASPECT OF THE DISPUTE.

8. COMMENT: THERE IS NOW TALK OF NATIONALIZING EGGED, BUT IN THE LIGHT OF THE GOVERNMENT'S OWN FINANCIAL AND BUDGETARY PROBLEMS AND THE HUGE EGGED LIABILITIES, WHICH INCLUDE WAGES, ARREARS TO ITS EMPLOYEE PENSION FUND AND LARGE UNPAID BILLS FOR FUEL AND SERVICES, THIS REMAINS PROBLEMATIC. EVIDENTLY MAJOR OVERHAULS OF EGGED AND THE PUBLIC TRANSPORTATION SERVICES, INCLUDING MORE REALISTIC TRANSPORT PRICES, WILL BE REQUIRED BEFORE THIS PROBLEM IS SOLVED. THE LENGTH OF THE STRIKE AND THE NATURE OF THE EVENTUAL SETTLEMENT WILL BE AN IMPORTANT MEASURE OF THE GOVERNMENT'S DETERMINATION TO BREAK OUT OF ITS GENERAL ECONOMIC AND FISCAL IMPASSE. SO FAR THE GOVERNMENT'S RECORD IN THIS MATTER HAS BEEN INDECISIVE, THUS LEADING TO KNESSET TYING ITS HANDS. AT THE SAME TIME THE STRIKE AND UNFAVORABLE PUBLICITY ABOUT EGGED ALSO TOUCHES ON THE PUBLIC IMAGE OF HISTADRUT AND ITS ECONOMIC AND COOPERATIVE EMPIRES, WHOSE MANAGEMENT AND LIMITED OFFICIAL USE

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EFFICIENCY ARE COMING UNDER INCREASING PUBLIC ATTACK.

9. AS OF END OF FIRST DAY HISTADRUT INFORMED LABATT THAT STRIKE HAS NOT YET SERIOUSLY AFFECTED OFFICE AND FACTORY ATTENDANCE. HOWEVER, EGGED HAS FAILED TO PROVIDE TRANSPORTATION OF WORKERS TO VITAL INDUSTRIES AND SERVICES WHICH IT IS CONTRACTUALLY OBLIGED TO DO REGARDLESS OF STRIKES OR OTHER CIRCUMSTANCES. GOI FEARS THAT IF STRIKE PROLONGED, ABSENTEEISM COULD HURT ECONOMY.  
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